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# Savings Bank Journal

Official publication of the National Association of Mutual Savings Banks

Volume 60 January 1980 Number 11

# 1980 OUTLOOK
## For Economy, Savings Banking

## Industry Task Force Calls for Realistic Financial Reform

## Looking At ATM Success Stories

**Also:** Savers Tax-Break Moves to Senate-House Conference ■ Authorize 30-Month CD ■ FHLBB Says Federal Savings Banks Could 'Reconvert' ■ MINTS Reorganized With New Priorities ■ Operations Conference to Convene ■ CRA Upfront Issue in State ■ Rates Increase, Starts Decline

## Mutual Moves Toward Federal Charter #1

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**Savings Bank Journal**
January 1980 Volume 60

*From the NAMSB Staff—*

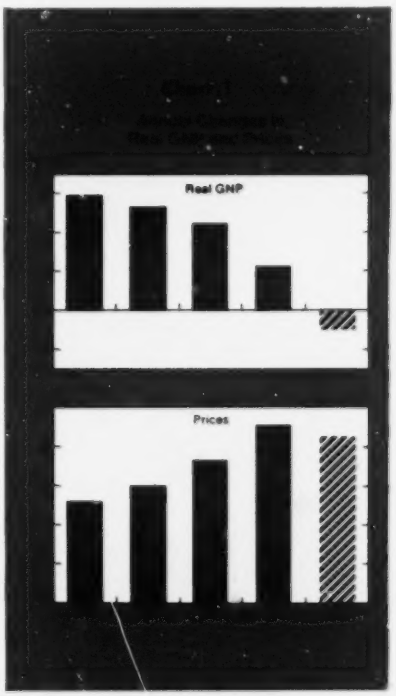
# OUTLOOK for the ECONOMY and for SAVINGS BANKING in 1980

**By year-end 1979 standards, the financial climate in 1980 should be somewhat less unfavorable for savings bank deposit flows, in the context of an economic recession and moderating interest rate pressures . . . according to the review and forecast of national trends and savings bank prospects developed by the NAMSB staff and reported during the Midyear Meeting by Senior Vice President and Chief Economist George Hanc.**

CONFIDENCE—OR RATHER its absence—this is what first comes to mind in considering economic developments in 1979. During the past year, our nation's ability to deal effectively with its economic problems has been severely questioned. And as government economic policymakers grappled unconvincingly with the inflation problem, an already hostile environment for savings banking worsened further.

Lack of confidence in the effectiveness of our anti-inflation effort was clear from many signs. At home, more and more families decided to buy now and worry later. Consumer borrowing escalated, the personal saving rate sank, and a flight from cash to goods appeared to be developing. Abroad, gold soared, the dollar plunged, speculation mounted and chaotic conditions in financial markets threatened. To some observers, we seemed to be caught in a vicious circle of oil price hikes, domestic inflation and dollar weakness, with government economic policymakers standing helplessly by.

In this atmosphere, the October 6 Federal Reserve bombshell has both painful and promising implications for the economy and for savings banking. The pain was evident and immediate. Interest rates have gyrated wildly in an inherently more unpredictable climate, while both the Fed and the rest of the world searched for the new ground rules governing the post-October 6 monetary regime.




The promise, while of a longer-run nature, is no less real. The new Federal Reserve policy represents one of several steps essential to an eventual reduction in inflation and inflationary expectations. The action involves risks and will hardly solve the inflation problem by itself. But assuming that the Fed sticks to its guns, monetary expansion should be brought under better control and a lower interest rate structure should be achieved sooner than would otherwise have been possible.

The problem for savings banking, however, is how to get over the hump. How do we get from here to there, from the painful problems of the short-run to the promised land of greater financial market stability in the long-run? That the industry will successfully make it, there can be no doubt. Steering the proper course in this environment, however, will take more than usual resourcefulness on the part of management.

In planning their future operations, savings bankers may find it useful to consider our projections for the economy and for the savings banking industry in 1980. Next year, we expect that:

## *Economic Outlook 1980—*

- The economy will be in recession.
- Inflation will moderate, but to a degree scarcely noticeable by shoppers.
- Interest rates will come down from the stratosphere, but will still remain high.
- Housing activity will decline sharply.
- The savings bank industry will experience further disintermediation, but outflows will moderate as the year progresses.
- Net income positions will deteriorate further for the year as a whole.

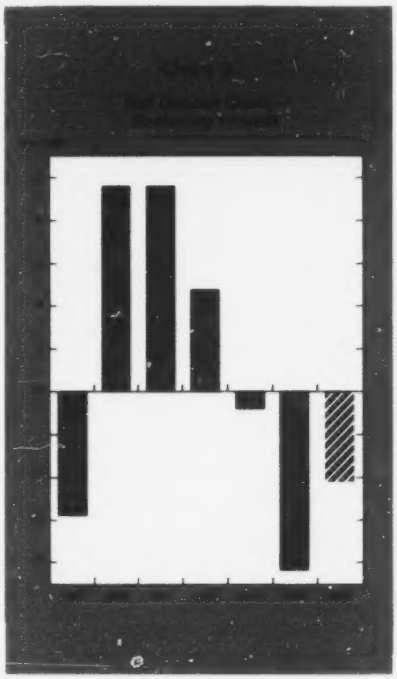
### The Economy in Recession

The recession in 1980 will go down in the record books as one of the most thoroughly anticipated and preadvertised in history (Chart 1). For over a year, some forecasters have been proclaiming that the economy would momentarily be in recession. Actually, the economy has held up pretty well. Among the important factors were: backlogs of demand from the severe 1974-75 decline; the inflation-induced spending psychology of consumers; the surprising strength of housing; fairly strong capital spending; reduced vulnerability to contraction because of generally conservative business inventory policies; and the continued availability of credit, albeit at high interest rates.

In 1980, however, we project that real GNP will decline by about 1% for the year as a whole, compared with the 2% rise in 1979. The reasons for expecting that 1980 will be a recession year include the following:

- Interest rates finally exceed inflation and have more bite.
- Credit is likely to be unavailable, outright, to some borrowers, particularly home buyers and poorer business risks.
- Further energy cost increases will have another depressing impact.
- Spending by consumers will slacken because real, after-tax incomes are declining and many families have depleted their savings and are up to their ears in debt.
- Housing activity will decline.
- Business inventory investment and capital spending will be trimmed back in response to slower sales.

To be sure, an election-year tax cut may cushion the impact. Pressures for a tax cut will mount as the unemployment rate rises toward 8%. Further impetus will come from a desire to offset scheduled Social Security tax increases and to relieve taxpayers being pushed by inflation into higher income tax brackets. But the tax stimulus is unlikely to prevent a recession next year.



Actually, the main debate among forecasters is not whether there will be a recession in 1980. This is virtually guaranteed, in the view of many, by the October 6 Federal Reserve policy change and its implementation in coming months. The main questions concern the length, duration and shape of the recession. Will it be deep or shallow, brief or prolonged? Will it be shaped like a "V" or a "U"?

We are inclined to the view that the recession will be moderate but prolonged during much of 1980. There is enough latent strength in the economy to prevent a sharper decline. But the prospect of a quick and vigorous snap-back seems unlikely. In particular, the intractable nature of inflation sets limits on the ability of government policy to take decisive anti-recessionary action. Fighting inflation, after all, is good politics, as well as good economics.

### Inflation: Not Much Improvement

Even so, not much improvement can be expected on the inflation front next year (Chart 1). We expect only modest improvement from the 1979 annual price rise of about 9% on a comprehensive GNP deflator basis. On the basis of monthly changes in the consumer price index, we can see a decline from the recent 12% to 13% annual rate, but it will be hard to get below 10% in 1980. Thus, we project that inflation will moderate during the course of the year, in response to the recession and the Federal Reserve moves, but the improvement will be small.

Indeed, any major improvement in the inflation rate next year will require some luck. Productivity has been declining. Labor costs are likely to accelerate next year, despite the efforts of the new Pay Advisory Committee, because of catch-up demands and hefty wage contracts in some major industries. The underlying inflation rate has been rising. We will need good luck, therefore, to achieve material improvement—good luck regarding food, weather, the size of OPEC oil price hikes and the absence of new external shocks like the upheaval in Iran.

In addition to luck, we will need firmness on the part of the Administration and the Congress in resisting the temptation to open the budgetary floodgates in an election year. This could easily swamp the new Federal Reserve initiative and send us back to square one in the anti-inflation fight.

For it must be repeated that the new Federal Reserve policies are only one of several steps needed to bring inflation and inflationary expectations under control. Some of the others are: continued progress toward the long-run goal of a more balanced federal budget; avoidance of illusory "solutions" like wage-price controls; a convincing energy program; and tax incentives to stimulate saving, investment and productivity. With respect to the latter, there appears to be growing sentiment that "something should be done" about our low saving rate and declining productivity. Tax action in

### Notes on Outlook Charts

**On GNP .... Changes in real gross national product represent annual percentage changes in gross national product, measured in constant 1972 dollars and percentage changes in the implicit price deflator for total GNP.** **(see page 27).**

**On net deposit change .... Annual percentage changes, excluding interest**

this area is a distinct possibility next year.

**Housing: the Chief Victim**

Housing will be the chief victim of the Federal Reserve's new policy. We anticipate that housing starts will decline from 1.7 million units this year to about 1.3 million in 1980. Single-family starts will bear the brunt of the decline. Multifamily construction will also decrease, although federally subsidized activity should cushion the adverse impact of the mortgage squeeze in this sector.

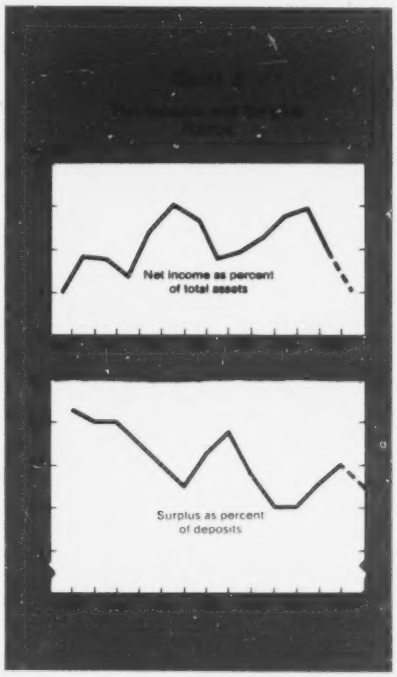
Resale activity will also be hit as existing homes will become harder to sell in a climate of tighter mortgage credit. Asking prices on existing homes will have to be lowered in many cases and we may see an appreciable slackening in the uptrend in home prices. Reduced resale activity, in turn, will have a feedback effect on new construction, since equities in older homes have been a major factor in meeting the escalating prices of newly built units.

The prime reason for the expected housing decline, of course, is the developing shortage and increased cost of mortgage credit. In the current deposit climate, thrift institutions have pushed liquidity higher up on the priority list and many have shut the mortgage window. Increased money costs in the face of usury ceilings are also restricting mortgage flows in many cases.

From the standpoint of borrowers, rising interest costs and increases in other home-ownership expenses are obvious negative factors. Builders are being squeezed, moreover, by construction loan costs in the upper teens. And once the recession gets rolling, housing demands are likely to slip, as unemployment increases and some consumers pull back from major new expenditures.

All of this may seem like a dismal rerun of past tight money periods, but there are differences:

- First, housing entered the current tight money cycle in better shape than, for example, in 1973-74. This time around, we started without the widespread overbuilding that plagued the early 1970s. Housing demands have been especially strong, moreover, reflecting favorable demographics, inflation-hedging and other factors.
- Second, the mortgage finance system has been significantly strengthened in recent years.




With respect to the latter, net mortgage flows from the main institutional sources held up surprisingly well during 1978 and in the early part of 1979, despite the rising interest rate climate. Some observers have given high marks to the six-month money market CDs for this achievement. Savings bank experience indicates, however, that these instruments merely postponed, but did not avert, the classic pattern of thrift institution disintermediation and sharp mortgage lending cutbacks in high interest rate periods.

Perhaps more important have been various factors which have stimulated increased mortgage lending from "nontraditional" sources. Secondary mortgage markets have been improved and mortgage-backed securities have proliferated. Of basic importance is the fact that mortgage yields in secondary markets (as measured by FNMA auction prices) have exceeded corporate bond yields by a wide margin. This was in sharp contrast with the negative mortgage-bond yield spreads which prevailed frequently in the 1974-75 period. Attractive mortgage yields outside of usury-restricted areas reflected, in turn, the basic strength of housing demands.

Whether these factors will be as important in 1980 is uncertain and a major reason for unusually wide variations in housing forecasts. But once more orderly market conditions are established, mortgage-backed securities should help cushion the decline in areas where rates on the underlying mortgages are attractive. There may also be further federal initiatives on top of moves already taken by the FHLBB. In some states, usury ceilings will be adjusted to market realities. And thrift institutions, to the extent permitted by legal authority and earnings positions, will make use of an increasingly wide array of nondeposit borrowings. All of these factors provide hope that the housing decline will be kept within the bounds suggested earlier.

**Interest Rates**

And now, at last, we come to the subject of market interest rates. By way of background, it will be recalled that on October 6 the Federal Reserve:

1. raised the discount rate from 11% to 12%;
2. imposed an 8% marginal reserve requirement on commercial bank "managed liabilities"; and
3. shifted the emphasis of day-to-day operations from controlling the federal funds rate to regulating commercial bank reserves and the money supply.

The clear implication was that the Federal Reserve would tolerate higher and more volatile interest rates, while it sought to restrict monetary and credit growth. A further implication is that once monetary expansion is under control, interest rates could decline as rapidly as they rose. This has been amply borne out by events since October 6. Interest rates rose by 200 to 300 basis points in a matter of weeks, fluctuated widely, and declined more recently. The obvious question is: what comes next?

You wait in vain, if you expect a confident and definitive answer. We are groping in the dark in uncharted territory. The Fed itself must feel its way in the new environment. Its ac-

**credited, in savings and time deposits at mutual savings banks.**
**On net income . . . . Data refer to: 1. net income of mutual savings banks after expenses, taxes, interest and net realized losses or gains on assets as a percent of average of beginning, mid- and end-of-year assets; and 2. surplus accounts, including capital notes and debentures, as a percent of year-end deposits outstanding.**

tions will be heavily affected, moreover, by international developments, as well as by the performance of the domestic economy and financial markets. As the October 6 action suggested, Washington is not the only place where U. S. economic policy is ultimately determined.

Having said that the task of forecasting interest rates is impossible, let us now forecast interest rates. We hazard the following guesses:

1. Interest rates will resume their upward path, reversing recent declines. Given their extreme volatility, short-term open-market rates could easily rise above recent levels by 100 basis points or considerably more.

2. The cyclical turning point will come sometime in the early part of 1980.

3. Subsequently, interest rates will decline significantly as the recession unfolds, but inflation will prevent a decline to anywhere near previous recession lows. The prime rate should remain above 10% in 1980 and mortgage rates are unlikely to go below the 10%-11% area.

**Deposit Prospects**

In this projected interest rate climate, the immediate prospects for savings bank deposit growth are poor, although some improvement can be expected during the course of 1980. In 1979, of course, savings banks have been buffeted by deepening disintermediation, particularly since the March regulatory change reducing the attractiveness of six-month money market CDs at thrift institutions, and following the October 6 Federal Reserve action. The main competition has come from well-known sources. Money market mutual funds have grown at a phenomenal rate, exploiting their high yields, low minimum denominations and check-writing provisions. Meanwhile, with the thrift institution differential eliminated, commercial banks attracted a sharply increased share of money market CD growth after the first quarter of 1979.

Experience has varied enormously among different savings bank areas, as well as among different institutions. To a greater degree than in the past, Boston and New York City have borne the brunt of disintermediation in 1979. In these two areas, deposit outflows have been far larger, proportionately, than in all other areas combined, as well as considerably more prolonged. From the standpoint of deposit experience, these markets seem to be in a different world. But this should be of little comfort to savings banks in other areas. In future interest rate upswings, money market funds, commercial banks and a host of possible new competitors may push their way with full force into new market areas, if they are not there already.

**Moderating Disintermediation**

In 1980, we expect that the savings bank industry will experience another year of disintermediation (Chart 2). Outflows should slacken from the recent pace, however, as interest rates decline during the course of the year. Disintermediation should also taper off if the regulatory authorities take action to increase the attractiveness of six-month money market CDs by restoring the thrift institution differential. And in a climate of increased unemployment and economic uncertainty, the overall personal saving rate may improve from its recent low.

We project that deposit outflows next year will total about $3 billion, excluding interest, or one-half of the record $6 billion deposit loss in 1979. In percentage terms, the deposit outflow will be about 2% of outstanding deposits in 1980, down from more than 4% this year. Including interest credited to depositors' accounts, total deposit growth should amount to some $8.5 billion, compared with the $4 billion gain in 1979. As in 1979, experience will vary among different areas, with the particularly interest-sensitive markets faring more poorly than others.

**Investment Policy**

In this climate, strong liquidity is obviously a top management priority. In 1979, savings banks cut back their net mortgage acquisitions, as deposit trends worsened. The sharpest decline was in income-property lending. Single-family mortgage flows held up fairly well initially, before decreasing in response to enlarged deposit losses.

There was also a decline in liquid asset positions, as measured by holdings of cash and investments due in one year, net of borrowings and mortgage warehousing. Nevertheless, liquid asset positions at the end of September, while below a year ago, were still above the 1974 disintermediation period. Equally important, cash inflows from mortgage repayments, investment income and other sources were in a generally favorable relationship to outstanding mortgage commitments and deposit outflows.

Further pressure on liquidity positions has to be expected, as deposit outflows continue large in the immediate months ahead. Additional strain may come from slackened mortgage repayments, as resale activity in existing home markets slows down. It would clearly be in order to maintain strict control of investment commitments, to retest credit lines and to take all the other steps needed to ensure strong liquidity, if this has not already been done.

**Further Earnings Deterioration**

As for the bottom line, we anticipate that net income positions will weaken further in 1980 (Chart 3). This year, earnings held up surprisingly well during the first half of the year at most institutions and on an overall industry basis. First-half results were less favorable, however, in areas chronically subject to heavy disintermediation and/or low usury ceilings. In these areas, deposit costs may be especially high and savings banks have generally had few funds to invest during past high-interest-rate periods. Moreover, significant deterioration developed in most areas in the second half of the year, as deposit interest costs soared in a higher interest rate climate.

Next year, the earnings picture will be much the same, only more so. Net income will decline further as a result of:

1. the continuing rollover of six-month CDs at increased rates during the early part of the year;

2. further transfers from savings accounts to money-market certificates;

3. shifts from lower- to higher-cost time accounts in response to the relaxation in premature withdrawal penalties adopted by the regulators last July;

4. increased borrowing costs and bond losses undertaken to meet liquidity needs;

5. some slowdown in the rise in gross earnings as short-term rates decline later in the year; and

6. possible further changes in Reg. Q ceilings.

We project that bottom-line income for the industry as a whole will decline from about 40 basis points on average assets in 1979 to about 20 in 1980. As with other industrywide data, these

figures mask wide variations among different areas and institutions. While some banks will have fairly strong earnings next year, others will show a negative bottom line, at least for part of the year.

### Cites Needed Legislation

Although not welcome, this is scarcely the end of the world. The projected 20 basis points of net income on assets next year would match the industry's performance in 1967, an earlier period when earnings positions were under severe strain. It will not be the first time, moreover, that some savings banks show red ink on the bottom line. After all, what are surplus positions for, if not to provide a cushion for absorbing the temporary income losses that occur from extraordinary circumstances, like the current interest rate upsurge? Better than anything else, however, the earnings squeeze dramatizes the basic need for legislative action to eliminate archaic restrictions on branching, investment, service and borrowing authority that continue to hobble savings banks in some states.

Finally, the industrywide surplus-deposit ratio increased in 1979, mostly because of deposit outflows. Next year, however, some modest slippage in surplus ratios is expected, mainly due to reduced earnings.

### Managing Disintermediation

In days gone by, a favorite subject at savings bank meetings was how to manage growth. That subject will be pertinent again in the future. For the time being, however, the more timely topic is how to manage disintermediation.

Managing disintermediation is unquestionably a lot less fun than managing growth. It is a necessary art, however, and one which many savings banks have been forced periodically to practice and to master. The pressures have increased since the first post-World War II disintermediation period in 1959. Awareness of the threat has also increased, however, and savings banks have prepared themselves well during intervening periods of growth.

In managing disintermediation, the most basic need, of course, is to run a tight ship. While always important, this is crucial in disintermediation periods. In periods of rapid growth, some loose ends may perhaps be tolerated. A less than ideal investment decision, for example, can easily be offset since deposits are pouring in. When deposits dry up, there is less margin for error and each management decision weighs more heavily. All aspects of the bank's operations must be focused on the primary needs to build earnings and conserve cash flows.

Running a tight ship includes having a strategy for dealing with the deposit outflows resulting from miserable economic weather. In principle, there are two approaches to handling protracted and large-scale disintermediation. First, the bank can let nature take its course, accepting temporary shrinkage through deposit losses. Second, the bank can borrow aggressively to offset deposit losses.

### Two Strategies

The first approach—accepting temporary shrinkage—has merit and may be the only practical course in many cases. Under this approach, cash inflows from mortgage repayments and other sources are utilized to meet depositor withdrawals and existing commitments, while new commitments are shut off. Battening down the hatches in this manner has been a successful means of getting through bad times. The fact that the bank may be a little smaller at the end of the disintermediation period is unpleasant, but not exactly tragic. The real disadvantage is that the bank acquires less high-yield investments at the top of the interest rate cycle, thereby aggravating earnings problems in the future.

The second approach—aggressive borrowing to offset deposit losses—is practiced by many S&Ls. Potentially, there are numerous sources of non-deposit funds available for savings banks, including commercial bank and FHLB credit, mortgage-backed securities, security repurchase agreements, commercial paper and others. Aside from the necessary legal authority, major use of these options requires a strong earnings base to begin with, since borrowing costs are high. Aggressive borrowing exposes the institution to the risks and burdens of a large volume of high-cost, short-term liabilities. It has the advantage, however, of enabling the institution to acquire more long-term assets at high yields, thereby strengthening future earnings.

Most savings banks have adopted policies somewhere between these two extremes. The strategy pursued by individual institutions is heavily affected by state legal restrictions, basic earning power and other factors. The crucial point is that all available options be considered in managing disintermediation.

### Anticipating Next Cycle

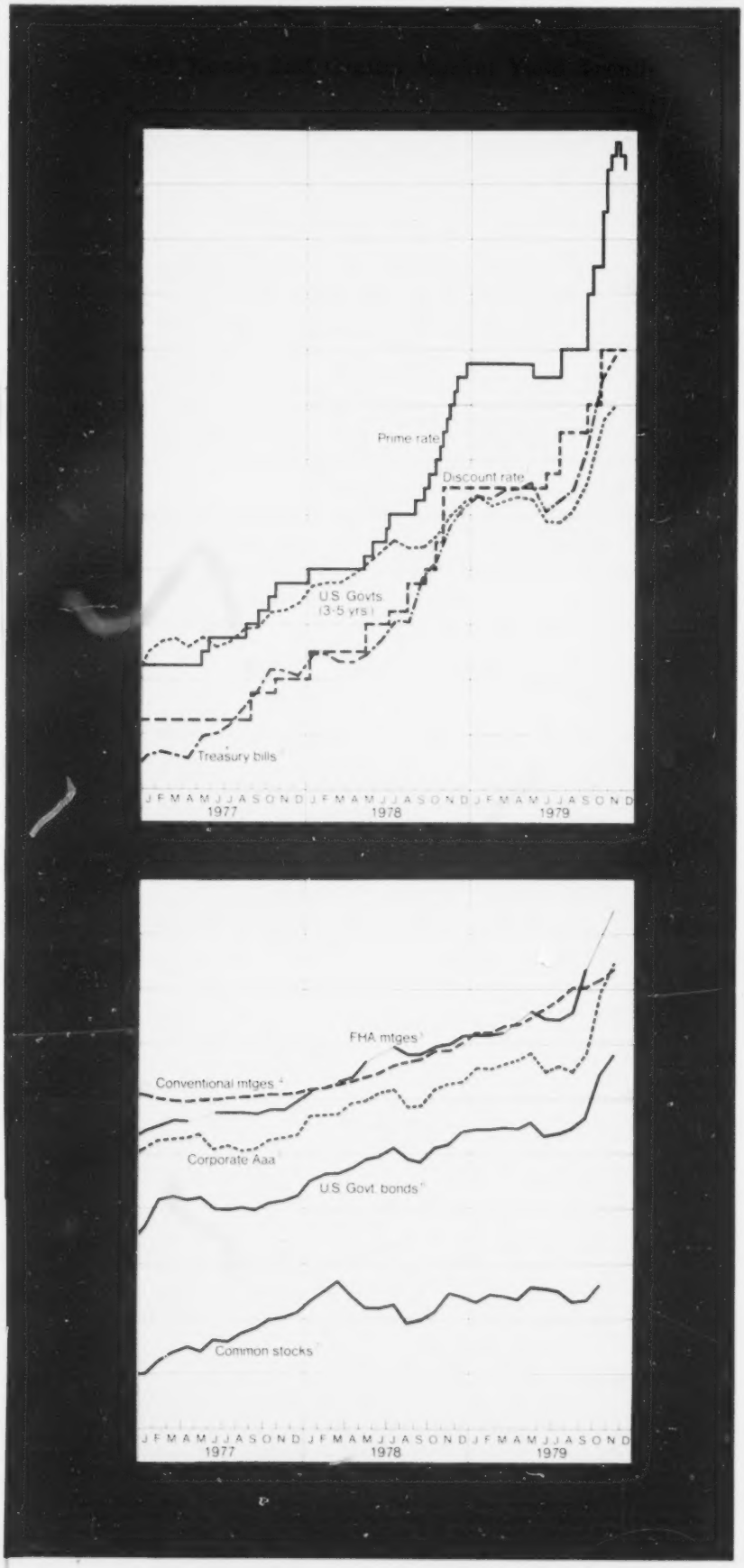
While dealing with the current bout of disintermediation, it is also important to prepare for the next one, whenever it may come. As we have often said, a permanently increased short-term asset position is needed to cope with an increasingly volatile environment. Together with revision of unrealistic usury ceilings, this will increase upward earnings flexibility and thereby improve the ability of savings banks to compete in future interest rate upswings. Stronger earnings at the top of the interest rate cycle will permit greater flexibility in choosing among the various options available to individual institutions in meeting future disintermediation needs. The increased volatility of our deposit structure and the prospect that Reg. Q may be eroded or eliminated in the future emphasize the urgency of efforts to restructure the industry balance sheet along these lines.

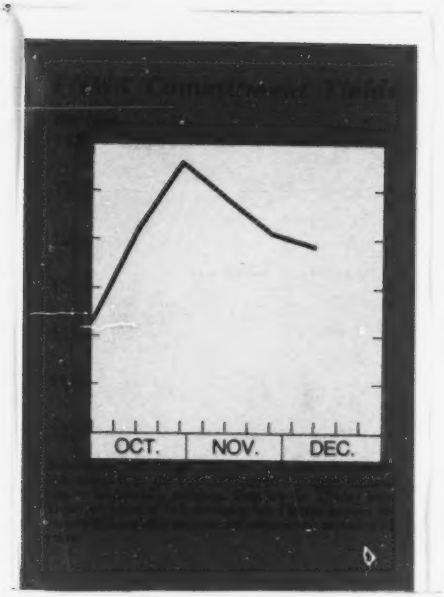
A shorter-term asset position may be achieved through a variety of means: variable-rate or rollover mortgages, short-term investments or business loan and deposit powers, which savings banks may acquire before long at the state or federal level. We do not mean to minimize the legislative or practical problems involved. But inflation and Washington's belated discovery of the "small saver" have made narrow specialization in long-term, fixed-rate mortgage lending increasingly untenable. Savings banks have no choice but to adapt accordingly. And this is widely recognized not only in our industry, but increasingly by outside observers as well.

### An Opportunity

In conclusion, the current disintermediation experience could also be an opportunity for the industry. In saying this, I am not stretching to end on the usual upbeat note. Rather, I wish to emphasize the urgent need to get on with the job.

Each round of disintermediation has been more violent and dangerous. We need to get off that dreary treadmill. We need to break out of present restrictions and bring our institutions in line with a more volatile and demanding environment. A miserable year by most reckonings, 1979 just might be the beginning of a new and more hopeful phase in our industry's history. **(END)**


Prime rate
Discount rate
U.S. Govts. (3-5 yrs.)
Treasury bills
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1977
1978
1979
FHA mtges.
Conventional mtges.
Corporate Aaa
U.S. Govt. bonds
Common stocks
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1977
1978
1979


OCT.
NOV.
DEC.

## DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS,[1] BY STATES

*(Amounts in thousands of dollars)*

| State | October 1979 | | | | | October 1978 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amounts Deposited[2] | Withdrawals | Net Change in Deposits | | | Amounts Deposited[2] | Withdrawals | Net Change in Deposits | | |
| | | | Excluding Interest | Incl. Interest | | | | Excluding Interest | Incl. Interest | |
| | | | | Amt. | % | | | | Amt. | % |
| Connecticut | 1,052,130 | 1,104,391 | —52,261 | 8,618 | .07 | 721,738 | 656,334 | 65,404 | 118,181 | 1.00 |
| Indiana | 17,252 | 18,337 | —1,085 | —865 | —.39 | 8,696 | 9,118 | —422 | —422 | —.20 |
| Maine | 247,347 | 243,120 | 4,227 | 17,398 | .75 | 143,725 | 139,345 | 4,380 | 14,967 | .70 |
| Maryland | 122,808 | 118,934 | 3,874 | 9,150 | .63 | 77,426 | 71,832 | 5,594 | 18,282 | 1.38 |
| Massachusetts | 1,937,091 | 2,039,044 | —101,953 | 13,735 | .07 | 1,420,810 | 1,452,820 | —32,010 | 66,103 | .33 |
| New Hampshire | 244,956 | 249,263 | —4,307 | 8,635 | .38 | 180,154 | 169,047 | 11,107 | 21,471 | .99 |
| New Jersey | 766,005 | 767,114 | —1,109 | 39,858 | .50 | 479,162 | 446,155 | 33,007 | 68,322 | .93 |
| New York—City | 4,351,823 | 5,377,009 | —1,025,186 | —971,330 | —1.78 | 3,245,327 | 3,329,514 | —84,187 | —53,071 | —.10 |
| —Upstate | 1,865,598 | 2,030,675 | —165,077 | —128,579 | —.58 | 1,227,063 | 1,223,272 | 3,791 | 14,453 | .07 |
| Pennsylvania | 1,181,155 | 1,226,827 | —45,672 | —3,805 | —.03 | 896,356 | 842,909 | 53,447 | 87,082 | .79 |
| Rhode Island | 161,719 | 161,170 | 549 | 3,427 | .22 | 109,389 | 114,297 | —4,908 | —1,796 | —.12 |
| Vermont | 63,114 | 71,839 | —8,725 | —6,129 | —.79 | 41,127 | 40,810 | 317 | 1,465 | .20 |
| Washington | 445,999 | 477,294 | —31,295 | —32,039 | —.86 | 274,454 | 270,199 | 4,255 | 7,458 | .21 |
| Wisconsin | 5,281 | 5,038 | 243 | 363 | .47 | 2,884 | 3,017 | —133 | —59 | —.08 |
| All other states | 229,978 | 222,394 | 7,584 | 10,917 | .58 | 161,861 | 173,177 | —11,316 | —8,762 | —.42 |
| Total | 12,692,256 | 14,112,449 | —1,420,193 | —1,030,646 | —.71 | 8,990,172 | 8,941,846 | 48,326 | 353,674 | .25 |

Note: See notes to "Assets and Liabilities of All Mutual Savings Banks." [2] Excludes interest credited.

[1] Excludes special purpose accounts such as checking, Christmas, vacation and school. Source: National Association of Mutual Savings Banks.

## DEPOSIT ACTIVITY IN REGULAR ACCOUNTS IN MUTUAL SAVINGS BANKS

*(Amounts in millions of dollars, accounts in thousands)*

| Period | Amounts Deposited | Withdrawals | Net change in deposits | | | Number of accounts | |
|---|---|---|---|---|---|---|---|
| | | | Excluding interest | Including interest | | Total | Net Change |
| | | | | Amt. | % | | |
| **Annually** | | | | | | | |
| 1975 | 53,125 | 48,369 | 4,757 | 11,070 | 11.27 | 26,284 | 980 |
| 1976 | 62,429 | 57,147 | 5,283 | 12,269 | 11.23 | 27,533 | 1,151 |
| 1977 | 73,306 | 70,431 | 2,874 | 10,687 | 8.76 | 28,825 | 1,303 |
| 1978 | 91,967 | 92,558 | —591 | 7,697 | 5.80 | 30,472 | 1,647 |
| **Monthly** | | | | | | | |
| 1978—Nov. | 8,061 | 8,121 | —59 | 275 | .20 | 30,255 | 205 |
| Dec. | 9,115 | 9,520 | —405 | 1,213 | .87 | 30,472 | 217 |
| 1979—Jan. | 12,303 | 12,421 | —118 | 218 | .15 | 30,661 | 190 |
| Feb. | 7,179 | 6,837 | 342 | 682 | .48 | 30,797 | 135 |
| Mar. | 9,350 | 8,887 | 463 | 1,972 | 1.39 | 30,871 | 74 |
| Apr. | 10,196 | 11,388 | —1,192 | —818 | —.57 | n.a. | n.a. |
| May | 9,007 | 9,348 | —341 | 61 | .04 | n.a. | n.a. |
| June | 9,691 | 10,340 | —649 | 890 | .62 | n.a. | n.a. |
| July | 12,494 | 13,208 | —714 | 318 | .22 | n.a. | n.a. |
| Aug. | 9,825 | 10,329 | —504 | —112 | —.08 | n.a. | n.a. |
| Sept. | 8,920 | 9,991 | —1,071 | 484 | .34 | n.a. | n.a. |
| Oct. | 12,692 | 14,112 | —1,420 | —1,031 | —.71 | n.a. | n.a. |
| Nov. (Est.) | n.a. | n.a. | —750 | —350 | —.24 | n.a. | n.a. |

n.a.—not available. Est.—estimated.

Notes: Annual and monthly data for net change in deposits including interest and net change in number of accounts have been adjusted, where necessary, to exclude the effects of conversions and consolidations of savings banks and other types of institutions. Amounts deposited and withdrawals include shifts of funds between ordinary and time and other higher-yield accounts. Components may not add to totals due to rounding. Source: National Association of Mutual Savings Banks.

## ASSETS AND LIABILITIES OF ALL MUTUAL SAVINGS BANKS

*(Amounts in millions of dollars)*

| Date | Mortgages | GNMAs | Investments | | | | Other assets | Total assets-Total liabilities & gen. res. accts. | Deposits | | | Other liabilities | General reserve accounts |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | U.S. Govt. & Federal agencies | State & local Govt. | Corporate bonds | Corporate stocks | | | Total* | Savings | Time | | |
| 1975 Dec. 31 | 77,221 | 3,367 | 7,507 | 1,545 | 17,536 | 4,322 | 9,558 | 121,056 | 109,873 | 69,653 | 39,639 | 2,755 | 8,428 |
| 1976 Dec. 31 | 81,630 | 5,808 | 9,109 | 2,417 | 20,335 | 4,381 | 11,131 | 134,812 | 122,877 | 74,535 | 47,426 | 2,884 | 9,052 |
| 1977 Dec. 31 | 88,195 | 8,331 | 9,233 | 2,828 | 21,498 | 4,751 | 12,450 | 147,287 | 134,017 | 78,005 | 54,739 | 3,292 | 9,978 |
| 1978 Nov. 30 | 94,497 | 9,820 | 8,437 | 3,307 | 21,633 | 4,824 | 14,916 | 157,436 | 141,155 | 72,398 | 67,299 | 5,411 | 10,870 |
| Dec. 31 | 95,157 | 10,021 | 8,297 | 3,333 | 21,566 | 4,807 | 14,991 | 158,174 | 142,701 | 71,816 | 69,354 | 4,565 | 10,907 |
| 1979 Jan. 31 | 95,552 | 10,230 | 8,178 | 3,328 | 21,622 | 4,815 | 15,167 | 158,892 | 142,879 | 69,244 | 72,145 | 5,032 | 10,980 |
| Feb. 28 | 95,821 | 10,492 | 8,114 | 3,167 | 21,665 | 4,837 | 15,983 | 160,078 | 143,539 | 68,817 | 73,254 | 5,485 | 11,054 |
| Mar. 31 | 96,136 | 10,669 | 8,187 | 3,126 | 21,767 | 4,849 | 17,132 | 161,866 | 145,650 | 68,829 | 75,213 | 5,048 | 11,167 |
| Apr. 30 | 95,900 | 11,011 | 8,193 | 3,326 | 21,331 | 4,869 | 16,602 | 161,231 | 145,096 | 67,758 | 75,452 | 5,050 | 11,084 |
| May 31 | 96,239 | 11,168 | 8,148 | 3,264 | 21,249 | 4,887 | 16,426 | 161,380 | 145,056 | 67,577 | 75,694 | 5,172 | 11,153 |
| June 30 | 96,743 | 11,230 | 8,029 | 3,175 | 21,174 | 4,877 | 16,586 | 161,814 | 146,057 | 68,104 | 76,057 | 4,545 | 11,212 |
| July 31 | 97,238 | 11,275 | 7,992 | 3,154 | 20,994 | 4,902 | 17,042 | 162,598 | 145,757 | 67,537 | 76,306 | 5,577 | 11,264 |
| Aug. 31 | 97,259 | 11,341 | 7,921 | 3,149 | 20,924 | 4,861 | 17,933 | 163,388 | 145,713 | 66,733 | 76,998 | 6,350 | 11,324 |
| Sept. 30 | 97,973 | 11,422 | 7,891 | 3,150 | 20,835 | 4,819 | 17,341 | 163,431 | 146,252 | 65,676 | 78,572 | 5,791 | 11,388 |
| Oct. 31 | 98,304 | 11,611 | 7,750 | 3,100 | 20,818 | 4,781 | 16,770 | 163,133 | 145,096 | 62,672 | 80,591 | 6,600 | 11,437 |
| Nov. 30 (Est.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 144,596 | n.a. | n.a. | n.a. | n.a. |
| **% of Total Assets** | | | | | | | | | | | | | |
| **October 31, 1979** | 60.3 | 7.1 | 4.8 | 1.9 | 12.8 | 2.9 | 10.3 | 100.0 | 88.9 | 38.4 | 49.4 | 4.0 | 7.0 |
| **Change during month** | 285 | 190 | —141 | —51 | —18 | —38 | —570 | —342 | —1,200 | —3,029 | 1,999 | 809 | 49 |

Note: Balance sheet data beginning with April 30, 1979 are not strictly comparable with prior months. This largely reflects: (1) changes in FDIC reporting procedures; and (2) reclassification of certain items.

n.a.—not available. Est.—estimated. Source: National Association of Mutual Savings Banks.

* — Total deposit figures include checking, school, club and certain other accounts not shown separately.

Note: GNMA figures refer to all types of mortgage-backed securities guaranteed by the Government National Mortgage Association.